

Service Date: December 15, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	
of the MOUNTAIN WATER COMPANY for)	UTILITY DIVISION
Authority to Increase Rates and)	DOCKET NO. 87.9.50
Charges for Water Service to its)	INTERIM ORDER NO. 5314
Superior, Montana Customers.)	
_____)	

FINDINGS OF FACT

1. On September 30, 1987, Mountain Water Company (Applicant or MWC) filed an application with this Commission for authority to increase water rates for its Superior, Montana customers on a permanent basis by approximately 78.5% which constitutes an annual revenue increase of approximately \$45,021.

2. Concurrent with its filing for a permanent increase in rates MWC filed an application for an interim increase in rates of 40.0% equalling a revenue increase of approximately \$22,923 or 51% of the proposed permanent increase.

3. The Commission has insisted on a clear showing that the petitioning utility is suffering an obvious income deficiency before the Commission will authorize interim rate relief. The Commission finds that reference to the adjustments and rate of return approved in the most recent MWC general rate order provide an appropriate means to measure financial performance.

4. The most recent rate order for MWC, Order No. 5252b, approved an overall rate of return of 11.125%. This compares with

a test year return of a negative 1.37% on a rate base of \$238,157 for MWC's water operations in Superior.

5. The Commission finds that this difference constitutes an obvious income deficiency in this instance, and that deferring rate relief until a final order can be issued may adversely affect the utility's financial condition. Further, the Commission finds that under current ratemaking standards the utility may be entitled to rate relief at the time a final order is issued in this proceeding.

6. Therefore, because MWC's rate of return has eroded, the Commission finds that MWC is entitled to interim rate relief. For interim purposes the Applicant requested an annual revenue increase of approximately \$22,923. This would result in the Applicant earning a return of return of approximately 8.25%. Because the rate of return generated by the grant of interim rate relief of \$22,923 is below the most recent authorized rate of return for MWC, the Commission finds the Applicant is entitled to interim rate relief in the amount requested.

7. As requested in the interim application the Applicant shall generate the increased annual revenue authorized in this order by increasing all rates and charges by 40%.

CONCLUSIONS OF LAW

1. Mountain Water Company is a public utility furnishing water service to customers in the Superior, Montana area, and is subject to the supervision, regulation and control of this Commission pursuant to Section 69-3-102, MCA.

2. Section 69-3-304, MCA, provides in part, "The Commission may in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission concludes that the grant of an interim rate increase is just, reasonable and within the discretion granted by Section 69-3-304, MCA.

4. The increase granted herein is subject to rebate, with interest, should the final order in this Docket determine that a lesser increase is warranted. Section 69-3-304, MCA.

ORDER

THEREFORE THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Mountain Water Company is hereby granted authority to implement on an interim basis increased rates for its Superior, Montana customers designed to generate additional annual revenues in the amount of \$22,923.

2. Mountain Water Company is to file revised tariff schedules spreading the increased revenues as a uniform percentage increase to all services.

3. The interim relief granted in this Order is to be effective upon Commission approval of the revised tariff schedules.

DONE IN OPEN SESSION THIS 14th day of December, 1987 by a vote of 4 - 1 at Helena, Montana.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner
Dissenting

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.